

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 H-02 L-02 TAR-01 FTC-01 AGR-10 FEAE-00 /109 W
----- 130417

R 211626Z MAY 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1216

INFO USMISSION EC BRUSSELS

AMCONSUL MILAN

AMCONSUL NAPLES

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 ROME 7417

PASS TREASURY AND COMMERCE

E.O. 11652: N/A

TAGS: EINV, IT

SUBJECT: FOREIGN INVESTMENT STUDY ACT OF 1974

REF.: (A) STATE 107242, MAY 8, 1975

(B) ROME A-213, APRIL 11, 1974

(C) ROME A-43, JANUARY 23, 1975

(D) ROME A-657, OCTOBER 12, 1971

(E) ROME A-168, MARCH 20, 1972

(F) OECD - IND/WP6(74)2, APRIL 18, 1974

(G) ROME A-232, APRIL 18, 1974

(H) ROME A-146, MARCH 27, 1975

(I) ROME A-127, FEBRUARY 21, 1974

(J) ROME 5509, SEPTEMBER 22, 1972

(K) ROME 7316, NOVEMBER 30, 1972

(L) OECD - IND/WP6(73), FEBRUARY 7, 1973

(M) ROME A-289, APRIL 15, 1971

(N) ROME 11245, AUGUST 16, 1974

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(O) ROME 6799, MAY 9, 1975

1. /SUMMARY./ GOI HAS TRADITIONALLY CONDUCTED POLICY IN FAVOR OF FOREIGN DIRECT INVESTMENTS IN ITALY. REGULATION OF INITIAL INVESTMENTS IS MINIMAL OTHER THAN FOR FIVE SPECIAL SECTORS AND, SUBSEQUENTLY, SUCH INVESTMENTS ARE GENERALLY GRANTED NATIONAL TREATMENT. FOREIGN INVESTMENT LAW 43 OF 1956 DOES CREATE SPECIAL PROCEDURES FOR INVESTORS WISHING TO OBTAIN CERTAIN GUARANTEES FOR TRANSFER OF CAPITAL AND EARNINGS. REGISTRATION UNDER LAW 43 IS OPTIONAL AND, IN PRACTICE, THERE ARE AT PRESENT NO LIMITS ON SUCH TRANSFERS, EVEN FOR INVESTMENTS WHICH WERE NOT REGISTERED UNDER 1956 LAW. GOI PROVIDES SPECIAL INCENTIVES BOTH FOR ITALIAN AND FOR FOREIGN INVESTMENTS, MAINLY IN ITALY'S SLUTH (MEZZOGIORNO), BUT ALSO IN CERTAIN OTHER DEPRESSED GEOGRAPHIC AREAS AND ECONOMIC SECTORS. ITALIAN POLICY TOWARD OPEC INVESTMENT IS FAVORABLE, AND NO NEW STEPS HAVE BEEN TAKEN NOR APPEAR CONTEMPLATED TO REGULATE IT. FOLLOWING PARAGRAPHS ARE KEYED TO SPECIFIC QUESTIONS RAISED IN PARAS 4 TO 6 OF REF A.
/END SUMMARY./

/2. LAWS AND REGULATIONS/

/A. GENERAL POLICY:/ ITALY'S GENERAL POLICY TOWARD FOREIGN DIRECT INVESTMENT HAS BEEN CONSISTENTLY FAVORABLE, MOTIVATED BY BELIEF THAT FOREIGN INVESTMENT CONTRIBUTES IMPORTANTLY TO ECONOMIC GROWTH, EMPLOYMENT AND DEVELOPMENT OF MANAGERIAL SKILLS AND TECHNICAL EXPERTISE. POSSIBILITY OF EXPORTS FROM ITALY BY FOREIGN-OWNED FIRMS IS ALSO ONE FACTOR, BUT ITALY HAS NOT TAKEN SPECIFIC MEASURES WHICH FAVOR FOREIGN INVESTMENT IN EXPORT SECTOR OVER INVESTMENTS IN OTHER PRODUCTIVE AREAS. FOR PREVIOUS EMBASSY REPORTS ON OVERALL CLIMATE AND ON GEOGRAPHIC AND SECTORAL BREAKDOWN OF FOREIGN INVESTMENTS IN ITALY, SEE REFS B AND C.

/B. MAJOR LAWS:/ FOREIGN INWARD DIRECT INVESTMENT TRANSACTIONS AND TRANSFERS ARE COVERED BY ITALIAN EXCHANGE CONTROL PROCEDURES, BUT BOTH CAPITAL AND EARNINGS ARE FREE. FOR SUMMARY OF ITALIAN EXCHANGE CONTROL REGIME, (INCLUDING TREATMENT OF INWARD DIRECT INVESTMENT) SEE ANNUAL REPORTS OF IMF ENTITLED "EXCHANGE RESTRICTIONS." (NOTE THAT 1974 VERSION STILL REFERS TO DUAL EXCHANGE MARKET WHEREBY CAPITAL MOVEMENTS FORMERLY UNCLASSIFIED

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PASSED THROUGH FINANCIAL MARKET. LATTER MARKET WAS ABOLISHED WITH UNIFICATION OF TWO MARKETS IN MARCH 1974.) IN ADDITION TO USUAL EXCHANGE CONTROL PROCEDURES, LAW NO. 43 OF 1956 PROVIDES CERTAIN SPECIFIC GUARANTEES OF REPATRIATION OF CAPITAL AND EARNINGS, WHICH VARY DEPENDING UPON WHETHER INVESTMENTS ARE CONSIDERED TO BE "PRODUCTIVE" OR NOT. REGISTRATION OF FOREIGN DIRECT INVESTMENT UNDER LAW 43 IS OPTIONAL AND, IN FACT, THERE ARE NO CURRENT LIMITS ON REPATRIATION OF CAPITAL

OR EARNINGS WHETHER OR NOT ORIGINAL INVESTMENT WAS REGISTERED UNDER LAW 43. HOWEVER THAT LAW DOES PROVIDE SOME GUARANTEES IN EVENT THAT RESTRICTION ON FOREIGN TRANSFERS WERE INTRODUCED IN THE FUTURE. EMBASSY IS POUCHING TO STATE, TREASURY AND COMMERCE COPIES OF CERTAIN DOCUMENTS RELATING TO FOREIGN DIRECT INVESTMENT QUESTIONS, INCLUDING ENGLISH TEXT OF LAW 43, DESCRIPTION OF ITS MAIN FEATURES AND TEXT OF RELATED PRESIDENTIAL DECREE. BOTH LARGE ITALIAN AND FOREIGN INVESTORS ARE SUBJECT TO CONTROLS OVER CERTAIN LARGE INVESTMENTS IN NORTH AND CENTRAL ITALY IN ORDER TO AVOID EXCESSIVE ECONOMIC CONCENTRATION IN THAT PART OF ITALY.

/C. SCREENING OF INVESTMENTS:/ EXCEPT FOR SPECIAL PROCEDURES UNDER LAW 43, THERE IS NO SCREENING OF FOREIGN DIRECT INVESTMENTS IN ITALY, ALTHOUGH STATISTICAL REPORTS OF SUCH CAPITAL FLOWS MUST BE MADE BY BANKS TO ITALIAN EXCHANGE OFFICE. THERE IS NO DISCRIMINATION BY NATIONALITY. THERE ARE, HOWEVER, SPECIAL LIMITATIONS, ON INVESTMENTS IN FIVE SECTORS OF ITALIAN ECONOMY: SHIPPING, AIR TRANSPORT, BANKING, INSURANCE AND BROADCASTING. EMBASSY IS POUCHING NOTE EXPLAINING EXTENT OF LIMITATIONS IN THESE SECTORS. NO INVESTMENT IN REAL ESTATE BY A FOREIGN GOVERNMENT MAY BE MADE WITHOUT PRIOR APPROVAL.

/D. TAKEOVERS VS. NEW INVESTMENT:/ ITALY MAKES NO DISTINCTION AS BETWEEN THESE TWO TYPES OF INVESTMENT.

/E. REFUSALS:/ EMBASSY IS NOT AWARE OF ANY REFUSALS OF FOREIGN DIRECT INVESTMENT PROJECTS IN ITALY.

/F. SPECIAL INCENTIVES; RESULTS:/ FOR MANY YEARS, ITALY HAS HAD SPECIAL INCENTIVES FOR DOMESTIC AND FOREIGN INVESTMENT IN ITALY'S DEPRESSED SOUTH (MEZZOGIORNO), IN SOME OTHER UNCLASSIFIED

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DEPRESSED GEOGRAPHIC AREAS OF THE NORTH AND CENTER, IN SMALL AND MEDIUM INDUSTRY AND IN CERTAIN SECTORS (TEXTILES). INCENTIVES INCLUDE TAX CONCESSIONS, CASH GRANTS, LOW INTEREST... VOLPE

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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SIL-01 L-02 H-02 TAR-01 FTC-01 AGR-10 FEAE-00 /109 W

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R 211626Z MAY 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1217

INFO USMISSION EC BRUSSELS

AMCONSUL MILAN

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UNCLAS SECTION 2 OF 2 ROME 7417

PASS TREASURY AND COMMERCE

E.O. 11652: N/A

TAGS: EINV, IT

SUBJECT: FOREIGN INVESTMENT STUDY ACT OF 1974

...INTEREST LOANS, PREFERENTIAL RAILROAD FREIGHT AND ELCTRIC
UTILITY RATES, REDUCTION OF SVCLAL SECURITY CHARGES
AND GOVERNMENT PROCUREMENT PREFERENCES. INCENTIVES WERE CHANGED
MOST RECENTLY AS RESULT OF 1971 MODIFICATION IN LEGISLATION
CONCERNING DEVELOPMENT OF MEZZOGIORNO AND 1974 MODIFICATION
OF TAX INCENTIVES AS RESULT OF DIRECT TAX REFORM. SEE REFS
D, E, F AND POUCHED MATERIAL FOR MEZZOGIORNO LAW. SEE REFS G,
H AND POUCHED MATERIAL FOR TAX REFORM MEASURES. BEST ANALYSIS
OF RESULTS OF INCENTIVE PROGRAM IN MEZZOGIORNO OF WHICH WE ARE
AWARE WAS PREPARED BY BUSINESS INTERNATIONAL IN 1974, COPIES
OF WHICH WERE TRANSMITTED WITH REF I. EMBASSY AND OECD ALSO
HAVE PREPARED ANALYSES OF EFFECTS OF INCENTIVES AS REPORTED
IN REFS J, K AND L.

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/G. NATIONAL TREATMENT:/ ESSENTIALLY THERE IS NATIONAL
TREATMENT GRANTED FOR FOREIGN DIRECT INVESTMENT ONCE ESTABLI-
SHED IN ITALY. (ITALY HAS FCN TREATY WITH US DATING
FROM 1948.) HOWEVER, THERE ARE SOME RESTRICTIONS ON MEDIUM -
AND LONG-TERM LOANS TO FOREIGN INVESTORS WHICH RELATE

SOLELY TO FIRMS WISHING TO OBTAIN TRANSFER GUARANTEES UNDER LAW 43. THERE ARE NO SUCH RESTRICTIONS IN ANY CASE OF SHORT-TERM FINANCING. ITALIAN LAWS DO NOT PROVIDE FOR PREFERENCE IN GOVERNMENT PROCUREMENT FOR ITALIAN-OWNED BUSINESSES VERSUS FOREIGN BUSINESSES. IN PRACTICE, THERE IS LITTLE, IF ANY, SUCH DISCRIMINATION BETWEEN FOREIGN-OWNED FIRMS ESTABLISHED IN ITALY AND ITALIAN FIRMS. HOWEVER, FOREIGN FIRMS NOT ESTABLISHED IN ITALY MAY, IN FACT, BE TREATED LESS FAVORABLY THAN ANY FIRM ESTABLISHED IN ITALY. ALSO, THERE ARE PREFERENCES FOR PUBLIC PROCUREMENT IN MEZZOGIORNO, BUT WITHOUT DISTINCTION BETWEEN ITALIAN-OWNED AND FOREIGN-OWNED FIRMS LOCATED THERE (SEE REF M).

/3. INFORMATION GATHERING:/

H. FOREIGN-OWNED BUSINESSES IN ITALY ARE SUBJECT TO SAME STATISTICAL REPORTING REQUIREMENTS AS ITALIAN FIRMS AS REGARDS EXCHANGE CONTROLS, ECONOMIC STATISTICS, ETC. ONCE ORIGINAL INVESTMENT INFLOW HAS BEEN RECORDED BY ITALIAN EXCHANGE OFFICE, WE ARE NOT AWARE OF ANY SUBSEQUENT ATTEMPT TO UPDATE VALUATION OF OUTSTANDING FOREIGN DIRECT INVESTMENT. THERE ARE, HOWEVER, PERIODIC SURVEYS MADE OF FOREIGN PARTICIPATION IN ITALIAN INDUSTRY, WHICH ARE MADE INDEPENDENTLY FROM COMPILATION OF FOREIGN EXCHANGE DATA. AMERICAN-OWNED BANKS IN ITALY ARE, OF COURSE, SUBJECT TO BANKING SECRECY RULES AND TRADITIONS. WE ARE NOT AWARE OF ANY OTHER GENERALIZED RULES REGARDING THE DIVULGING OF BUSINESS INFORMATION. NEW FINANCIAL MARKET REFORMS WILL REQUIRE GREATER PUBLIC DISCLOSURE THAN HERETOFORE.

/4. OPEC INVESTMENTS:/

/I. INVESTMENT POLICY AND STATISTICS:/ GOI ATTITUDE TO OPEC INVESTMENT IS FAVORABLE AS REPORTED IN REF N. SUCH STATISTICS AS ARE AVAILABLE ARE CONTAINED IN REF C. FOR REPORT ON RECENT CASE OF LIBYAN INVESTMENT IN ITALIAN OFFSHORE ISLAND, SEE REF O.

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/J. CHANGE IN POLICY:/ EMBASSY IS NOT AWARE OF ANY SERIOUS CONSIDERATION BY GOI OF CHANGE IN ITS POLICY OF FAVORING OPEC INVESTMENT OR IN MECHANISMS FOR CONTROLLING OR INFLUENCING DIRECT INVESTMENT FROM THAT SOURCE. VOLPE

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